



STAFF INCENTIVES AND ALIGNMENT

Family Zone, *supporting and protecting every child's digital journey*, is pleased to update the market on finalisation of staff incentives and remuneration through to 30 June 2021.

In September 2019, Mr Peter Pawlowitsch joined the board of Family Zone as Chairman as part of a restructure of the Company's board.

Subsequent to Mr Pawlowitsch's appointment the board has completed a strategic review of the Company, updated the Company's strategic plan and developed compensation and incentive plans to appropriately align staff with shareholder needs. The core objectives of the updated staff incentive plan are to:

- Conserve cash by converting cash based remuneration to security based remuneration;
- Attract and retain staff;
- Align executives incentives to the Company's annual recurring revenue target; and
- Align remuneration with shareholders through employees having an equity interest in the Company.

In this regard the Company has introduced the following Remuneration and Incentive Plan through to 30 June 2021:

Remuneration in securities

The Company reached an agreement with Directors and senior staff to convert approximately \$864,840 of their cash-based remuneration into security-based remuneration. The security based remuneration includes a combination of fully paid ordinary shares (**Shares**) and Remuneration Performance Rights which vest subject to a term of continued employment. The Shares and Remuneration Performance Rights to be issued to Directors in lieu of part of their cash salaries is subject to Shareholder approval (Refer to Schedule 1 for further details).



The Shares issued to senior staff (excluding Directors) in lieu of salaries have been issued under the Company's Listing Rule 7.1, 15% capacity, without the need for Shareholder approval, at an issue price of \$0.126 per Share (based on the 5 day VWAP prior to the issue date). Refer to the Appendix 2A attached for further details.

The number of Remuneration Performance Rights issued to senior staff (excluding Directors) in lieu of salaries has been determined based on an effective issue price of \$0.14 each.

Employee Incentive Scheme

The Company has introduced an Employee Incentive Scheme across all staff, including Executive Directors, with the objective of attracting and retaining staff within the business through the issue of Employee Performance Rights. The Employee Performance Rights are issued under the Company's Performance Rights Plan in three equal tranches which vest subject to continued employment over a 3 year period.

Executive Incentive Scheme

The Company has also introduced an Executive Incentive Scheme for senior executives, including Executive Directors, focusing on growing annual recurring revenue (**ARR**). The continued growth of the Company's ARR has been identified as a key strategic objective of the Company and it is targeting to achieve \$16 million ARR by 30 June 2021, which represents a 328% growth in ARR from \$3.3 million at 30 June 2019.

The Executive Performance Rights issued under the Company's Performance Rights Plan include vesting conditions which focus on the achievement of \$16 million of ARR by 30 June 2021 (**Target ARR**). No Executive Performance Rights will vest if the Company does not achieve at least 90% of this target and all the Performance Rights will vest if the Company's ARR is \$20 million by 30 June 2021, exceeding its Target ARR by 25%.

Given the Company's focus on the growth of the US market, senior executives in the US have also been issued US Performance Rights which include vesting conditions focussed on growth in contracted revenues in this market.

Executive Director remuneration

The remuneration packages of the Company's Executive Directors, Tim Levy and Crispin Swan have been reviewed. Mr Levy and Swan are entitled to participate in the employee and executive incentive offers set out above with Mr Levy also participating in a share price incentive scheme with the same share price vesting targets as the incentive Options issued to the Company's Chairman in November 2019.

The material changes in Executive Director Service Agreements and the proposed issue of securities to Directors is set out in Schedule 1. The proposed issue of securities to Directors is subject to Shareholder approval. Further details in respect to the terms and conditions of the securities proposed to be issued to Directors will be outlined in a Notice of General Meeting to be sent to Shareholder shortly.

Securities issued and lapsing

For further details in respect to the securities issued to employees (excluding Directors) as part of the Company's Remuneration and Incentive Plan through to 30 June 2021, please refer to the attached

- Appendix 2A for the 1,856,507 Shares issued in lieu of their cash remuneration; and



- Appendix 3G for the 10,470,969 Performance Rights¹ issued under the Company's Performance Rights Plan

An Appendix 3B will also be lodged in respect to the proposed issue of Shares and Performance Rights to Directors outlined in Schedule 1.

The Company also advises that the following securities have lapsed

- 5,335,000 Options (\$0.30, 15 Dec 2019) (ASX Code: FZOAD)
- 166,666 Performance Rights (ASX Code: FZOAT)

NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT 2001

This notice is given by Family Zone Cyber Safety Limited (ASX: FZO) (**Family Zone** or the **Company**) in relation to an issue of 1,856,507 Shares without disclosure to employees under Part 6D/2 of the Corporations Act 2001 (Cth) (**Act**).

The Company hereby notifies ASX under section 708A(5)(e) of the Act that:

- a) the Shares were issued without disclosure to investors under Part 6D.2 of the Act;
- b) the Company is providing this notice under paragraph (5)(e) of section 708A of the Act;
- c) as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
- d) as at the date of this notice, the Company has complied with section 674 of the Act; and
- e) as at the date of this notice, there is no information:
 - i) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - ii) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - B) the rights and liabilities attaching to the shares.

Authorised by the Board of Family Zone Cyber Safety Limited

¹ Comprising 2,049,428 Remuneration Performance Rights, 4,046,541 Employee Performance Rights, 3,125,000 Executive Performance Rights and 1,250,000 US Performance Rights referred to above



About Family Zone

Family Zone, **supporting and protecting every child's digital journey**, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.

Contacts

Tim Levy
Managing Director
timl@familyzone.com
+61 413 563 333

Tim Dohrmann
Investor Relations
tim@nwrcommunications.com.au
+61 468 420 846

Family Zone Cyber Safety Limited
945 Wellington Street
West Perth, WA 6005

SCHEDULE 1

Director Remuneration and Proposed Security issues

Following review by the Remuneration Committee the base salary payable to each of Mr Levy and Mr Swan pursuant to their Executive Service Agreements has increased to \$300,000 per annum (plus superannuation) each (**Base Salary**).

Outlined below is a summary of the securities proposed to be issued to Directors under the Company's Remuneration and Incentives Plan through to June 2021.

Director	Shares		Performance Rights		
	Remuneration in Shares	Remuneration Performance Rights	Employee Performance Rights (4)	Executive Performance Rights (4)	SP Performance Rights Incentive (5)
Peter Pawlawitsch	Note 1	-	-	-	-
Timothy Levy	-	1,071,429 ²	300,000	1,250,000	1,000,000
Crispin Swan	-	814,286 ³	300,000	1,250,000	-
Total		1,552,941	600,000	2,500,000	1,000,000

Notes:

- (1) The number of Shares to be received by Mr Pawlawitsch in lieu of 100% of annual cash salary of \$80,000 will be determined based on the following formula

80,000/5 day VWAP of Shares prior to the issue date

- (2) To be received in lieu of a 50% of Base Salary for 12 months at an effective issue price of \$0.14 each
 (3) To be received in lieu of a 38% of Base Salary for 12 months at an effective issue price of \$0.14 each
 (4) Executive Director allocations under Employee and Executive Incentive Schemes
 (5) The SP Performance Rights will vest subject to a number of share price targets and will each convert into a Share for no consideration on exercise by the holder once vested.

The issue of securities to Directors is subject to Shareholder approval. Further details in respect to the terms and conditions of the securities proposed to be issued to Directors will be outlined in a Notice of General Meeting to be sent to Shareholder shortly.